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Where companies are with IFRS17 and project plans

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14 September 2017



Key objectives

#1 Context and timing

#2 Creating a roadmap or an implementation plan for IFRS 17

#3 Where companies are with IFRS 17

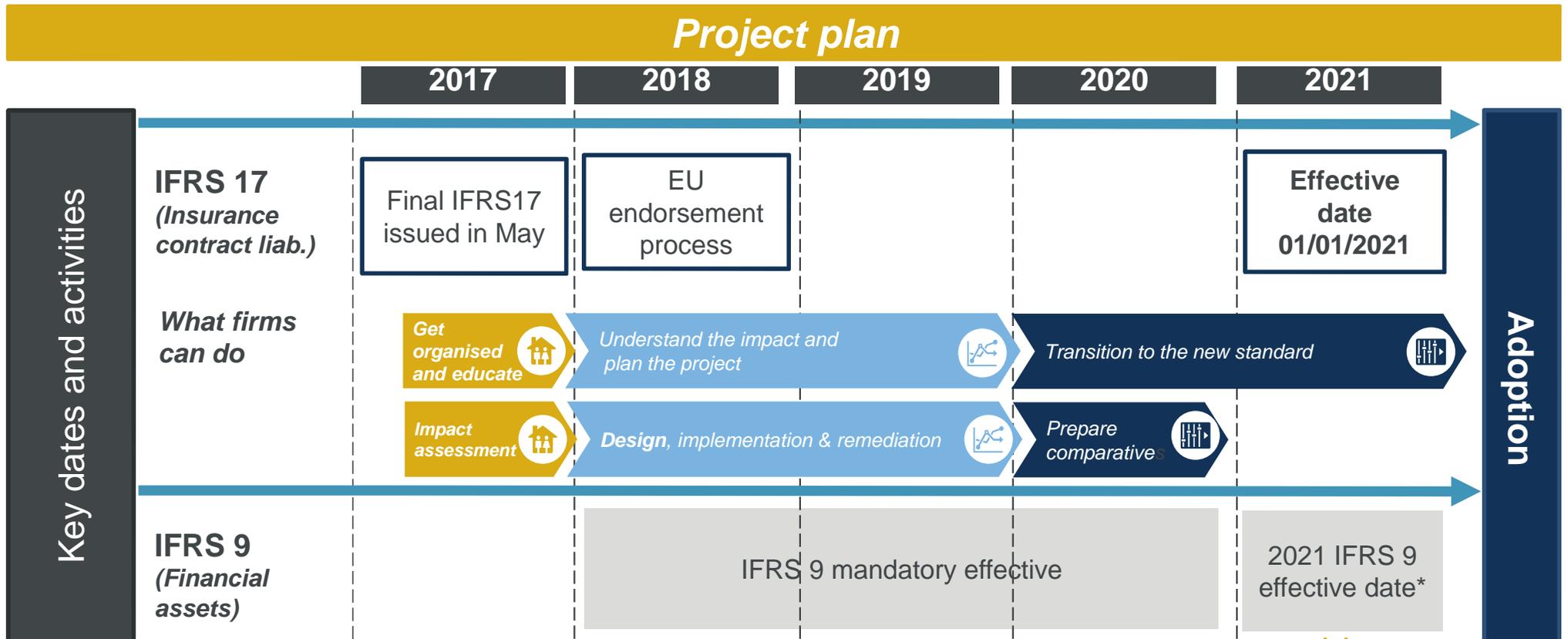
#4 Understanding system capabilities

#5 Highlight areas of uncertainty, difficulty and areas of focus



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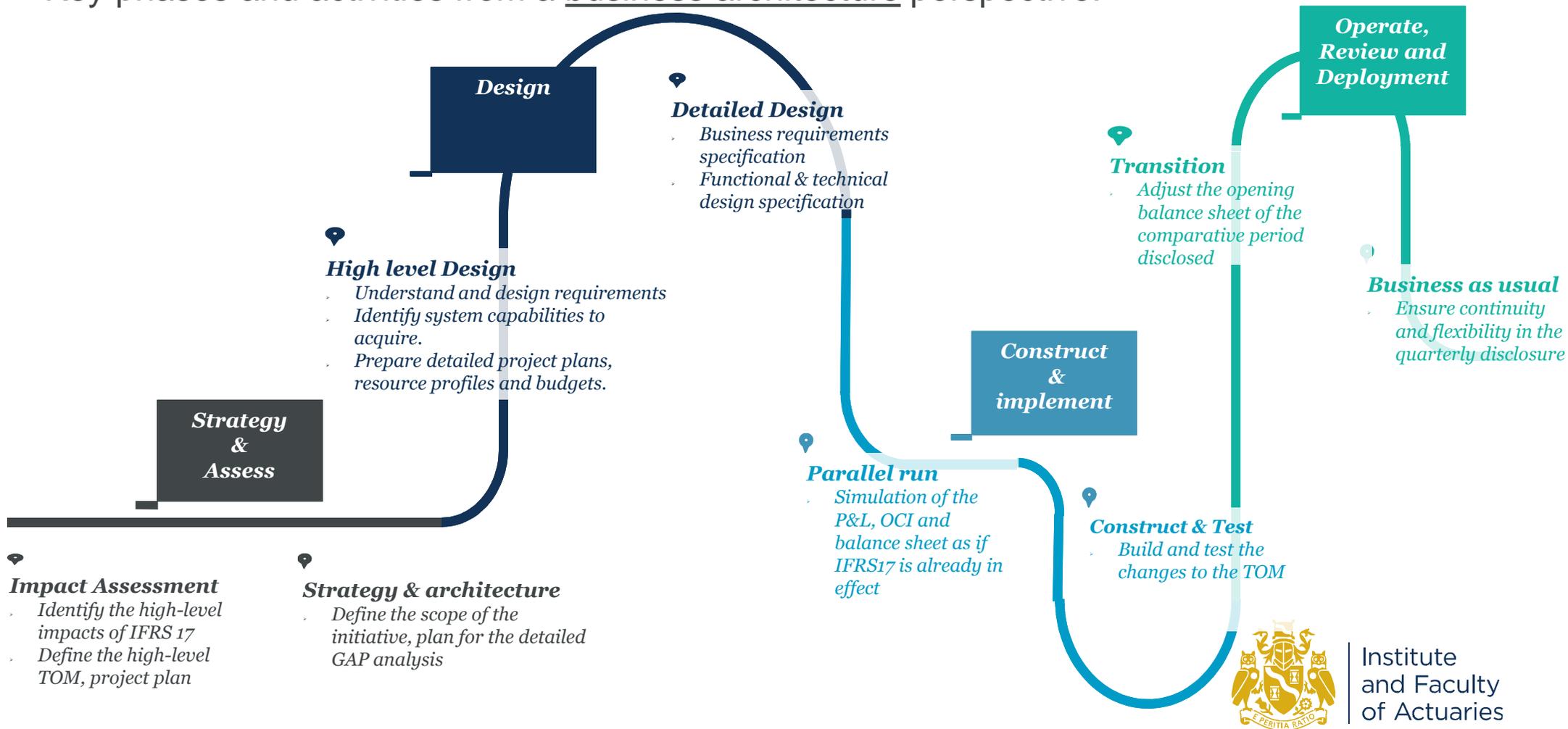
Context and Timing



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Roadmap and implementation plan for IFRS programs

Key phases and activities from a business architecture perspective:



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What may change under IFRS 17?

Significant financial and operational changes under IFRS 17

Financial performance

- Balance sheet and income statement
- Emergence of profit over time

What investors will read about the company

- Detailed disclosures including confidence level of reserves and analyses of change will be required

How companies measure and remunerate staff

- Management Information

Processes, data and systems

- Reserving processes and link between IFRS and Solvency II reserving processes may need to change
- Insurers will need to capture and store significantly more data

Reserving philosophy and approach

- How insurers measure their liabilities
- Treatment of reserve margins

Finance, actuarial and risk functions

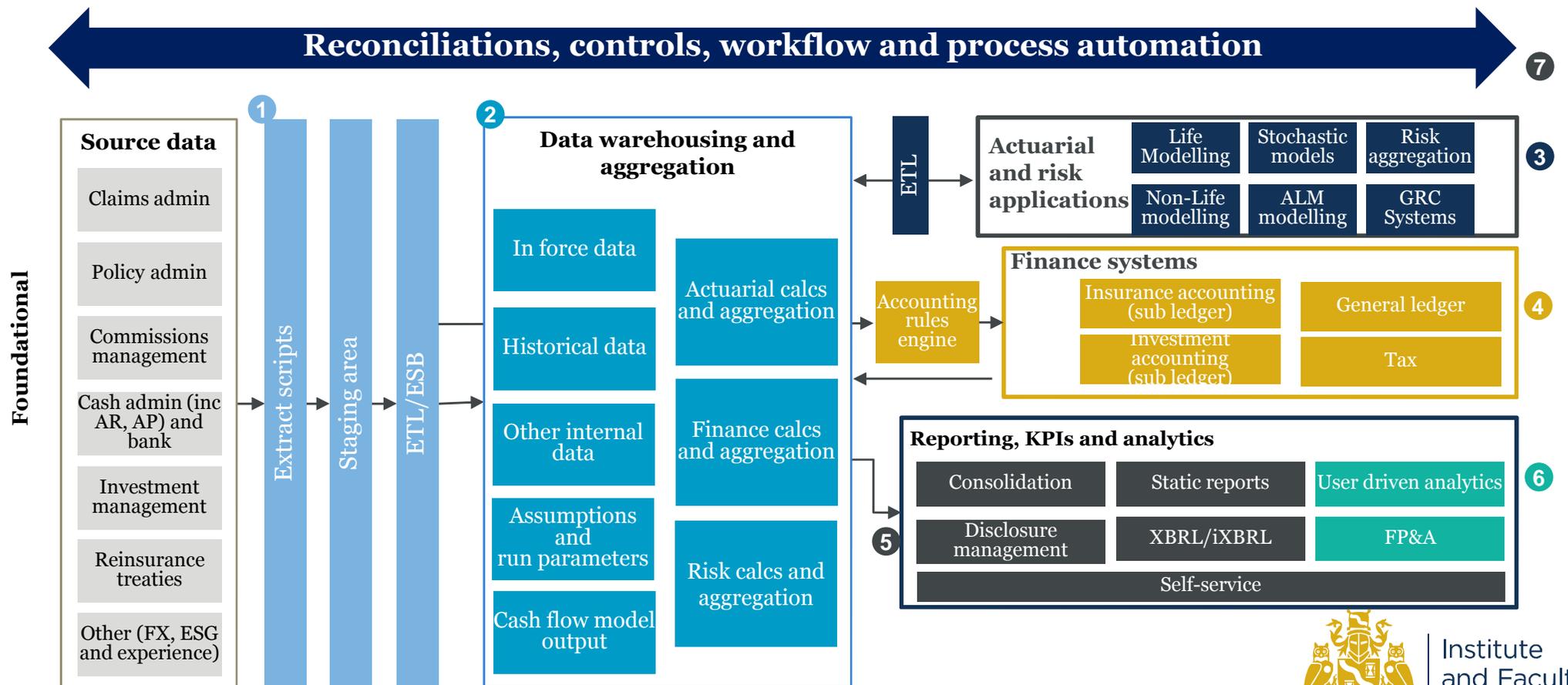
- Training will be essential
- Greater collaboration, understanding, knowledge sharing will be required across the organisation



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Accordingly, IFRS 17 impacts most aspects of the systems architecture

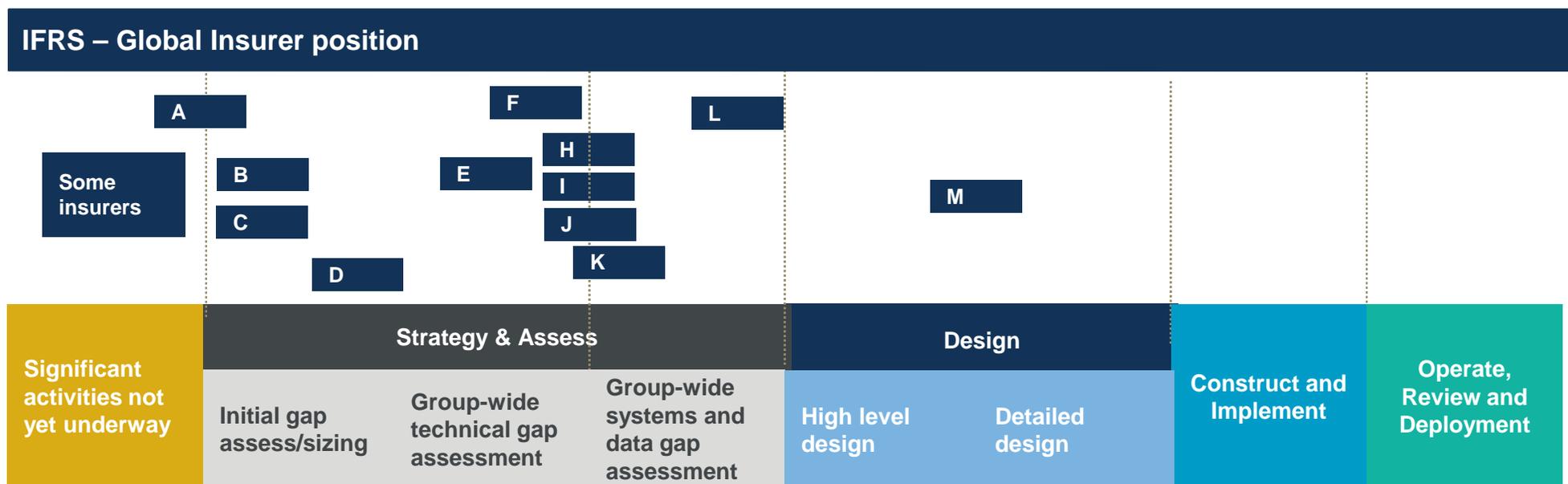
Certain system capabilities are required to deliver a compliant IFRS 17 system architecture



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Where companies are with IFRS 17

Many large insurers have begun to assess the expected IFRS 17 impact over the last few months



Key observations:

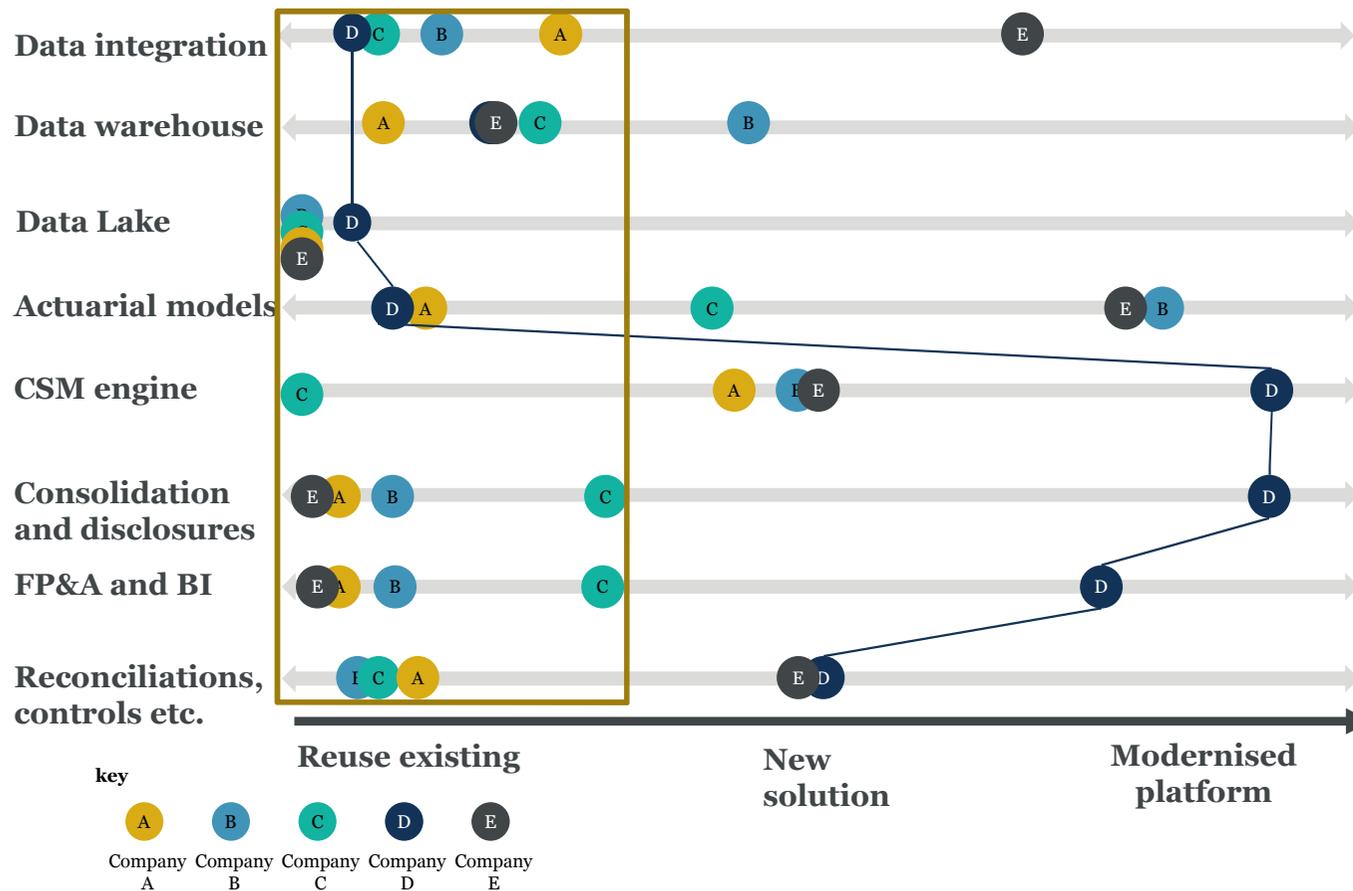
- Solvency II – Will continue to keep many finance and actuarial teams busy through 2017
- Early identification of potential impact of IFRS 17 allows improved management of interactions across enterprise wide project portfolio
- IT complexity – Significant lead times required to implement an automated solution by go-live
- Need to focus on designing end state solution but don't overlook transition.
- IFRS 17 creates opportunity to optimize finance, actuarial and potentially risk operating model
- IFRS capability – Limitations in team capability and insight



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Market assessment system architecture plans

Existing technologies are being reused to support IFRS 17



Key observations

- Many companies will leverage the existing actuarial models for IFRS 17.
- Companies with 'Big Data' capability in-house are considering how to leverage this for Actuarial and Risk purposes.



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Companies are also looking to external vendors to provide some functionality



Systems implementation

- Most vendors are reconsidering their IFRS 17 offering, including what they do
- Most vendors who are building IFRS content are still in **development**



Collaboration

- Specifically for IFRS 17, no vendor can provide a complete **end-to-end solution** that is from admin solutions to reporting
- A number of vendors are collaborating to **accommodate** insurers needs.



Solution development

- A few are developing solutions for CSM, amortisation and storage of results and inputs.



Financial reporting and Disclosure

- The prime focus at the moment is on system architecture and not on planning processes or management reporting and analysis

Decisions around group vs business unit, buy vs build and the IT operating model **remain** regardless of vendor selected.



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Challenges already identified by early IFRS 17 movers

Financial and operational implications of adoption will vary by insurer and operations within.

Areas already identified by early IFRS 17 movers include the following:

- Length of implementation project required
- Challenges to year end reporting timetables
- Data collection and storage
- System implications across wider Group and local function
- Lack of knowledge and lack of certainty over interpretation
- Resource planning
- Other areas of the business will be impacted such as product design, remuneration policies and business planning.
- Managing market expectations before and after adoption will be crucial.
- Informing policy choices and options



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Key lessons learned from Solvency II

Issue	Impact	Lessons learned
Cost of implementation	Insurers spent \$billions on implementation	Important to plan in detail, work from known requirements, and to align development to other changes
Impact on regulatory position	Significant impacts for some	No transitional measure for IFRS – understanding transition is key
Impact on market perception	Solvency II is now the key metric of focus, some firms managed messages	Understand the story early
Organisational change	Solvency II formalised risk management and ownership of model	IFRS will require further alignment of finance, actuarial and risk – from training to increased analysis
Approach to transformation	Many companies did not complete the transformation journey	Opportunity to design and implement processes and systems that drive business performance and reduce complexity



Summary

Significant market activity for IFRS 17 in the past few months

Insurers need to get organised to avoid potential pitfalls and prepare for the challenges and changes required under IFRS 17

Certain system capabilities are required to deliver a compliant IFRS 17 system architecture

Vendors currently offer various solutions to deal with the key business requirements that IFRS 17 brings

A number of challenges from early IFRS 17 movers have already been identified.
Insurers need to leverage lessons learned from Solvency II and from early movers



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Questions

Comments

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